

Message Text

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PAGE 01 MOSCOW 04803 081715Z

ACTION EB-08

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AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

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DEPT PASS FEDERAL MARITIME COMMISSION

E.O.11652: N/A

TAGS: OVIP (BAKKE, KARL E.), EEWT, EWWT, UR

SUBJECT: US-SOVIET LINER CARRIAGE DISCUSSIONS

1. MEETING BETWEEN REPRESENTATIVES OF THE MINISTRY OF
MERCHANT MARINE (AVERIN, TROFIMOV, AND EREZOVIKOV), SOVIN-
FLOT (MASLOV)) FESCO (SERGEYEV AND BURIY) AND UNITED ORIENT
SHIPPING CO (KAZANSTEV) - AND FMC REPS (BAKKE AND BAYER),

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PAGE 02 MOSCOW 04803 081715Z

EMBOFF, AND WESTERN CARRIER REPS (ALDRIGE OF US LINES, AND
YAMANAKA OF NYK) AT MINISTRY ON APRIL 8.

MASLOV SPOKE FOR SOVIET SIDE STATING DURING PREVIOUS
SESSION WITH YAMANAKA THEY HAD NARROWED AREAS OF DISAGREEMENT
AS TO FESCO'S COMPETITIVE POSITION IN PACIFIC LINER TRADES TO
FOLLOWING AREAS:

- A. QUALITY OF TONNAGE
 - B. CARRYING CAPACITY
 - C. ADEQUACY OF FESCO SERVICE INCLUDING FREQUENCY OF PORT CALLS AND TRANSIT TIME.
 - D. FUTURE PLANS OF COMPANIES (SOVIET ALLEGE THEY DIVULGE THEIR PLANS BUT DO NOT RECEIVE SAME FROM WESTERN CARRIERS.)
 - E. GEOGRAPHICAL LIMITATIONS PLACED ON FESCO ACTIVITY (CANNOT CALL AT TAIWAN AND SOUTH KOREA) AS OPPOSED TO OTHER INDEPENDENTS AND CONFERENCE MEMBERS.
 - F. NARROWER MARKET AVAILABLE TO FESCO (SOME SHIPPERS ESPECIALLY IN US WILL NOT SHIP WITH SOVIETS)
 - G. FESCO CANNOT HAVE "OWNER'S" REPS IN US TO CONTROL, CHECK, AND VERIFY SERVICES PROVIDED BY ITS AGENTS.
 - H. MALPRACTICES
 - I. PANAMA CANAL "PROBLEMS," NOT OTHERWISE EXPLAINED.
2. MESSRS. YAMANAKA AND ALDRIGE PROCEEDED TO DISCUSS WESTERN VIEWS AS TO ALL POINTS ABOVE EXCEPT G AND I.

3. ESSENTIALLY THEY ATTEMPTED TO DEMONSTRATE THAT AS TO QUALITY OF FESCO SERVICE, FESCO FELL ABOUT IN THE MIDDLE OF THE CARRIERS INVOLVED IN THE TRADE - NOT THE BEST, BUT FAR FROM THE WORST. IN HONG KONG/WEST COAST US WITH 6 PERCENT OF CAPACITY DURING 1976 FESCO HAD MORE THAN 13PERCENT OF CARGO. DURING 1976 FESCO DID NOT HAVE DIRECT SAILINGS TO US FROM HONG KONG. IT WAS VIA JAPAN. DIRECT SERVICE INSTITUTED IN 1977. WESTERN CARRIERS QUESTIONED NEED FOR FESCO RATE DIFFERENTIAL IN THAT TRADE.

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PAGE 03 MOSCOW 04803 081715Z

4. MASLOV STATED WESTERN FIGURES BASICALLY ACCURATE, BUT QUESTIONED APPRAISAL OF THOSE FIGURES, RETURNING TO THE MANY HANDICAPS UNDER WHICH FESCO MUST OPERATE. MASLOV NOTED EXISTENCE OF OTHER INDEPENDENTS IN SOME OF THESE TRADES (PFEL AND SEATRAN) AND WONDERED IF THEY WOULD JOIN CONFERENCES IF FESCO DID SO.
5. BURIY OF FESCO NOTED THAT THEIR RATE SPREAD IN HONG KONG TRADE RANGED FROM 1 - 9.5 PERCENT WITH AVERAGE ABOUT 5 PERCENT. HE THOUGHT THAT WAS REASONABLE.
6. BOTH YAMANAKA AND ALDRIGE STATED THAT ALL OTHER RATE AGREEMENT CARRIERS (10107) OF WHICH FESCO IS A MEMBER CHARGE SAME RATES, AND WITH FESCO 4 OUT OF 15 IN TERMS OF CARGO CARRIED IN 1976, THEY COULD NOT UNDERSTAND NEED FOR RATE DIFFERENTIAL.
7. SERGEYEV ASKED HOW DUAL RATE SYSTEM FUNCTIONS AND WHY

FESCO RATE DIFFERENCE COUNTED BECAUSE OF DUAL RATE SYSTEM.

8. RESPONSE FROM ALDRIGE WAS THAT NO DUAL RATE SYSTEM EXISTED IN HONG KONG TRADE AND IN THE TRADES WHERE IT DID EXIST, FESCO RATES WERE PEGGED UP TO 20 PERCENT BELOW THE CONTRACT RATE.

9. AVERIN STATED THAT DESPITE DIFFERENCES FURTHER NEGOTIATIONS BETWEEN CARRIER REPS SHOULD TAKE PLACE AND CARRIER REPS SHOULD ATTEMPT TO SETTLE THESE DIFFERENCES.

10. ALDRIGE REPLIED THAT BASIC DISAGREEMENT EXISTS. WHEN YOU ARE IN A CONFERENCE YOU COMPETE ON AN EQUAL BASIS. IF YOU ARE LOOKING FOR REASONS NOT TO JOIN, THEY CAN BE FOUND.

11. IN RESPONSE TO AVERIN'S QUESTION AS TO WHETHER HIS STATEMENT MEANT THAT FURTHER DISCUSSIONS WOULD BE USELESS, ALDRIGE REPLIED NO BUT ASKED IF FESCO REALLY WANTED TO JOIN LIMITED OFFICIAL USE

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PAGE 04 MOSCOW 04803 081715Z

CONFERENCES.

12. MASLOV ASKED IF FESCO PERSISTED IN INSISTING UPON A TWO-TIER RATE PROPOSAL FOR THE PACIFIC TRADES WHAT OTHER CARRIERS WOULD QUALIFY. HE ALSO ASKED NAMES OF CONFERENCES WESTERN CARRIERS WOULD LIKE FESCO TO JOIN AND BY WHAT DATE.

13. YAMANAKA STATED THAT EVEN THOUGH WESTERN CARRIERS CONSIDER FESCO TO BE COMPETITIVE THEY COULD LIVE WITH A PHASED-IN APPROACH IF TIMETABLE REASONABLE AND LAID OUT.

14. ALDRIGE STATED OTHER ELIGIBLE CARRIERS IN A TWO-TIER SYSTEM WOULD DEPEND ON DEFINITIONS OF THAT SYSTEM, BUT BASICALLY IMPOSSIBLE TO ACHIEVE A TWO-TIER RATE SYSTEM IN THE PACIFIC TRADES. SECOND BY JULY 1, 1977 WOULD LIKE TO SEE NO RATE DISPARITY IN AGREEMENT NO. 10107, AND CONFERENCE MEMBERSHIP IN TRANS PACIFIC FREIGHT CONFERENCE (JK), THAILAND PACIFIC CONFERENCE, AND PACIFIC WEST COAST CONFERENCE.

15. BAKKE CLOSED BY NOTING PROCESS BEGUN TO REDUCE ISSUES TO MATTERS OF FACT AND HOPED DISCUSSIONS WOULD CONTINUE WHILE GROUP STILL IN MOSCOW. HE NOTED THAT WE ARE DEALING WITH COMMERCIAL RATHER THAN POLITICAL ISSUES AND HOPED THAT MOMENTUM WOULD CONTINUE. BAKKE STATED THAT HE HOPED TO BE ABLE TO GIVE THOSE PEOPLE IN THE US WHO ARE FOLLOWING THESE DISCUSSIONS CLOSELY A POSITIVE REPORT -- INCLUDING THE CONGRESS.

16. AGREEMENT WAS REACHED TO HOLD MEETING IN AM APRIL 9 BETWEEN SOVIET AND WESTERN SHIPPING REPS TO ATTEMPT TO FURTHER NARROW THE OUTSTANDING ISSUES.
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